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THE BUSINESS OF CULTURE

A S u m m a r y

ISORY COMMITTEE ON A CULTURAL INDUSTRIES SECTORAL STRATEGY (ACCIS)



The illustrations

Artist James Tughan created illustrations for ACCISS based on a metaphorical pinball landscape created entirely with cultural industry products, tools, hardware, and technology. James combined these images with classic pinball motifs of chrome, colour graphics, indirect lighting, high speed, audio-visuals and interactive skill. Each illustration, as presented throughout this document, corresponds with the energy and elements involved in the creation of cultural products, the uncertainty inherent in our future environment and the development of the strategy itself.

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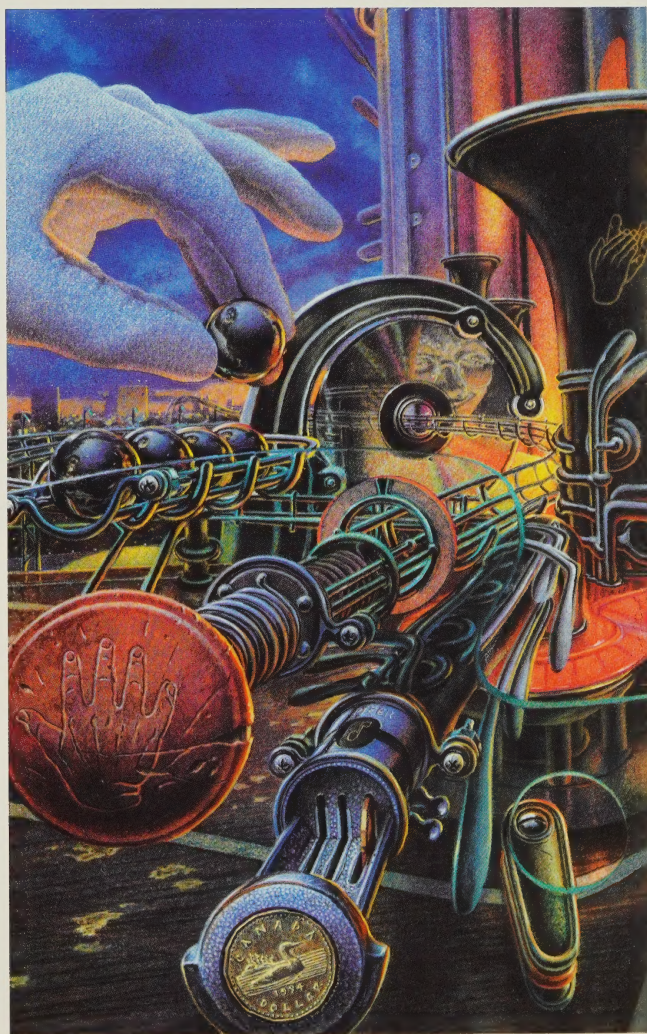
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A SUMMARY

Rarely do people think of culture as an industry. Culture is something we nurture and support because it enriches our lives — not because of its potential to improve our economic well-being. But culture does both. It adds richness to our lives, giving people a way to express and share creativity. At the same time, it creates jobs and wealth. Our cultural industries help us exchange ideas and experiences that are uniquely Canadian, as well as making a significant contribution to our economy.





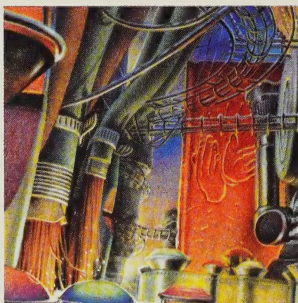
ONTARIO'S CULTURAL INDUSTRIES

A Growing Economic Force

Ontario's cultural industries — the companies and people who earn their living developing and distributing cultural products — are built on the age-old human desire to tell and share our experiences. Stories that would once have been passed by word of mouth are now recorded in print, music, film, video, on computer disc and re-enacted in theatres. In their new forms, they continue to shape and express our identity, tell us things about who we are and what we value.

The books, magazines, sound recordings, films, television programs and theatre productions created by our cultural industries entertain, educate and inform us. And there is a growing market for these products. Over the past few years, Ontario's cultural firms have flourished:

- Sparked by the growing critical acclaim for Canadian writers, book exports increased 70 per cent between 1987 and 1992. Over the same



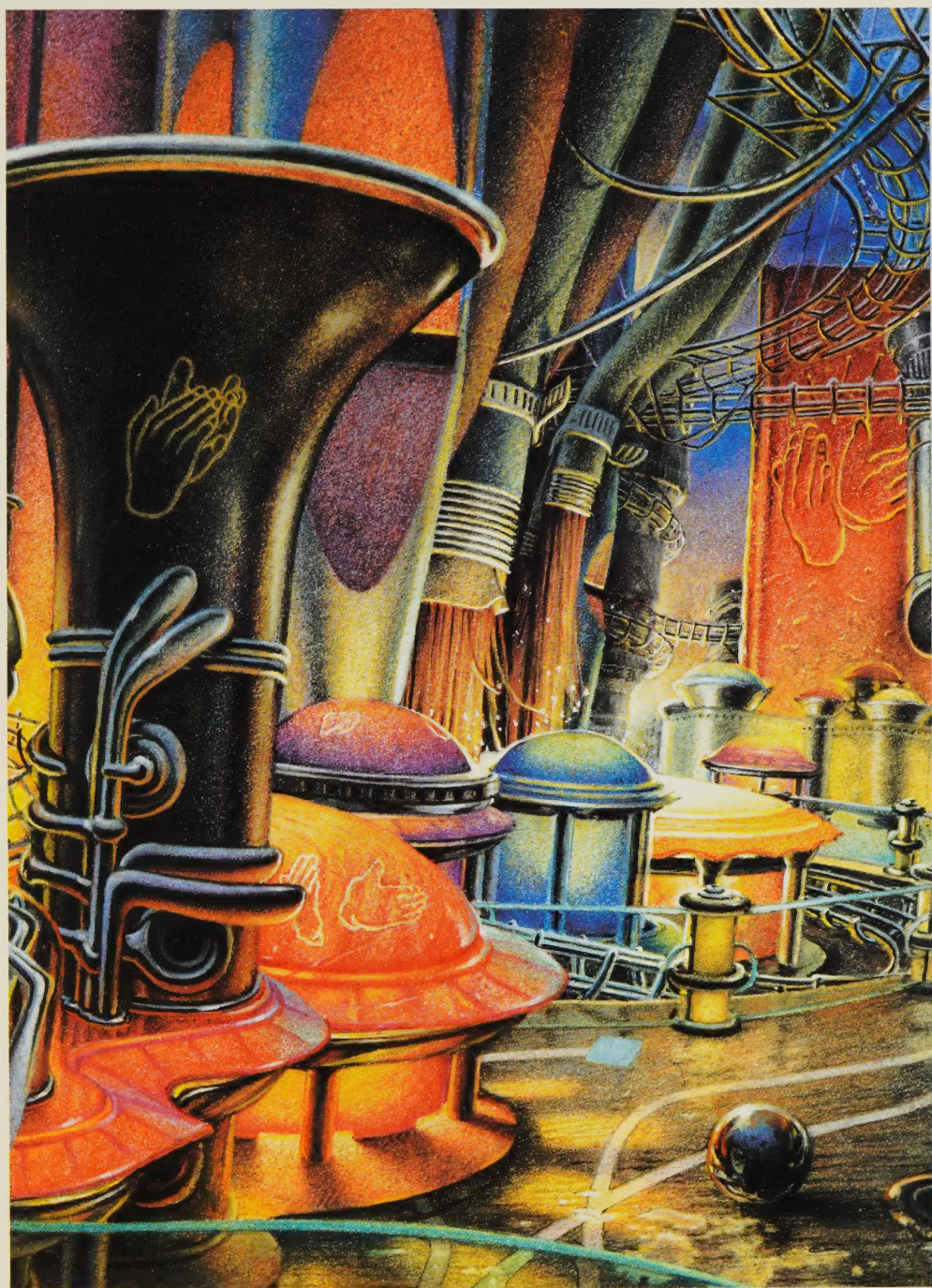
period, exports of other Canadian products grew only 12 per cent.

- With private sector investment in theatre venues and productions, Toronto has become the third largest live theatre centre in the world, after New York and London. Many visitors now come to Ontario for the theatre, and stay to spend money on accommodation, restaurants and other products and contribute to our tourism industry.
- Ontario is the centre of Canada's sound recording and magazine industries. Forty-eight per cent of new sound recordings with Canadian content are made in Ontario as well as forty-seven per cent of Canadian magazine titles.

- Toronto ranks third in North America for number of live music venues.
- Growing international recognition of Canadian film and television productions has created a growing market for our products at home and abroad; Toronto is one of the major film and television production centres in North America.
- A growing number of Ontario firms are specializing in animation or special effects and now supply major film producers worldwide.

In 1992 alone, Ontario's cultural industries generated revenues of \$3.2. billion. Between 1988 and 1992, the later years marked by recession, the cultural industries continued to grow and expand. At a time when other industries saw their sales drop, revenues in the Canadian cultural industries increased by over 40 per cent.

Between 1988 and 1992, when total employment in the province fell by 3 per cent, jobs in our cultural industries grew by 1 per cent. And,



because the cultural industries rely so much on innovation and technology, the jobs they create are high-skill and high-value. They are the kind of knowledge-based jobs Canada must develop for the future.

Award-winning books and movies, commercially successful theatre productions, sound recordings that sell millions of copies, production facilities that attract international film producers — all these successes are signs of a creative cultural industry that, over the past 10 to 20 years, has made great strides. Ontario's cultural firms have benefited from and take advantage of:

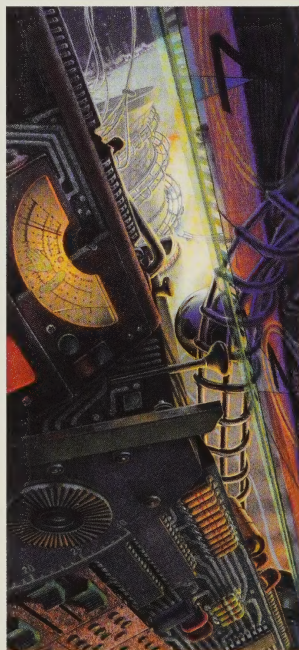
- a strong and diverse not-for-profit arts sector that has developed and nurtured talented creators, technicians and entrepreneurs
- a highly educated workforce that has the skills to support the industries
- the quality of our cultural products and the international recognition they have received

- the large proportion of Canadian-owned firms in the cultural sectors (Canadian-owned firms are more likely than foreign-owned companies to produce and distribute works by Canadian creators and to reinvest their profits to develop Canadian cultural products)
- regulatory bodies, such as the Canadian Radio-television and

Telecommunications Commission, which have used their authority to support and encourage the development of Canadian cultural industries

- a strong broadcasting and telecommunications industry, which has helped distribute Canadian cultural products
- the growing domestic and international market for cultural products
- our ability to innovate.

Ontario's cultural industries have enjoyed remarkable success within a growing market. Canadian families are spending more and more on culture and recreation. In 1992, in the midst of a recession, they spent about \$30 billion or 9.3 per cent of their disposable income on cultural products. Ontario's cultural industries have used our desire for cultural products to build successful businesses and create jobs, products and wealth.



Pressures Threatening Ontario's Cultural Industries: Competition and Technological Change Darken a Bright Picture

After more than a decade of steady growth, Ontario's cultural industries are faced with sudden, intense and rapid changes in markets and technology. New products and new production processes are being developed at a tremendous rate. These changes are reshaping the market for cultural products and even the products themselves.

- With digitization — a process that can convert print, music and film into a series of digital signals — there is a blurring or convergence among the different cultural sectors. There is also convergence between the cultural industries and the computing and telecommunications industries that develop digital technology and the



- information highways to distribute cultural products. Instead of shipping books, records, films and videos, the cultural industries can distribute signals over these sophisticated high-capacity phone and cable lines.
- With convergence comes the potential for creators to develop new and different cultural products

— to combine traditional forms, such as print, music and film, to create multimedia versions, such as interactive education, information and entertainment products. The emerging market for multimedia products has huge potential. To compete in the cultural market of the future, Ontario firms must be able to develop and master



these new forms and formats.

- Cultural firms in other countries are responding to these changes with mergers and acquisitions. Firms that create cultural products are forming alliances with companies that are developing and managing information highways as well as linking with those skilled in digitization and computer systems. The global market for cultural products may soon be dominated by a handful of international information/

entertainment conglomerates. These companies will control distribution networks, and that may make it difficult for smaller Ontario firms to carve out a niche for their products.

- New production and distribution systems will affect our ability to maintain creative control and intellectual property rights. Just as the industry itself must adjust to change, government efforts to regulate and protect cultural industries must also respond to

changing markets and products.

In our attempts to compete in the future, Ontario's cultural firms will also continue to face many of the same challenges they do now. In spite of our recent successes, Canadian cultural products still account for a very small percentage of the Canadian market. We face overwhelming competition in our own market, and Canadian firms do not enjoy the same economies of scale as larger foreign firms. Canadian-owned, Ontario-based cultural firms tend to be small and underfunded. Because they are considered high risk, they often have trouble attracting the investment they need. They also lack the market information and promotion budgets needed to identify and pursue opportunities in emerging markets. Right now, the distribution networks for some cultural products are dominated by a handful of foreign-owned firms and that trend will likely continue to shape market opportunities.

Ontario also lacks adequate programs to train and support

its creators, technicians and entrepreneurs. Although better educated than many other workers, Ontario's cultural workforce earns significantly less than other Canadians with comparable skills and education. Because of the nature of their work, their incomes are unpredictable, and many support themselves between contracts by working outside their field.

Many of these challenges — financing, training, access to markets — are common to all cultural industries sectors.

In the past, Ontario's cultural industries — book publishing, magazine publishing, sound recording, film and television production, and commercial theatre production — have tended to be isolated from one another and from the telecommunications and computing sectors that will play an important role in our future. We have many of the skills needed to compete in today's market but lack the working relationships and structures needed to develop to the fullest potential.



TOWARD THE INDUSTRY OF THE FUTURE

A Comprehensive Strategy

Recognizing both the social and economic potential of the cultural industries and the pressures threatening the sector, the Government of Ontario asked industry representatives and people from other related sectors to take a critical look at the future. Their task was to assess the industries' economic and industrial potential and develop a comprehensive forward-looking strategy that would deal with growing threats and opportunities.

The Advisory Committee for a Cultural Industries Sectoral Strategy (ACCISS) spent a year on this work. It was the first time that the different cultural industries had come together to discuss their common concerns. It was also the first time that the same measures used to assess other industries were applied to culture. ACCISS analyzed strengths, weaknesses, opportunities and threats, assessed productivity, identified ways to make better use of resources, and developed working relationships among the



cultural industries as well as with other related industries. The result of ACCISS' work is *The Business of Culture: A Strategy for Ontario's Cultural Industries*, a detailed analysis of the cultural industries and rationale for some 30 key recommendations and over 40 suggested tactics that can

be used to put the strategy into action. For a full understanding of the opportunities and challenges facing the cultural industries, please refer to that document. The following is a brief summary of its findings and recommendations.

ACCISS believes Ontario's cultural industries have the potential to prosper and benefit from the changes now taking place — if they act quickly and together to build on their strengths and address their weaknesses. To guide the industries, ACCISS developed a vision of their future role:

Building on Ontario's communication infrastructure, its vast intellectual capital and its broad cultural diversity, our cultural industries will be a driving force in the information economy and the development and sale of entertainment and information products.

To achieve this vision, Ontario's cultural industries, together with government, must pursue three strategic goals:

1. Increase Canadian-owned, Ontario-based producers' share of the international and domestic markets for entertainment and information products.

For Ontario's cultural industries to be more

effective in markets at home and abroad, they must become more competitive in all aspects of their business. To do this, ACCISS recommends:

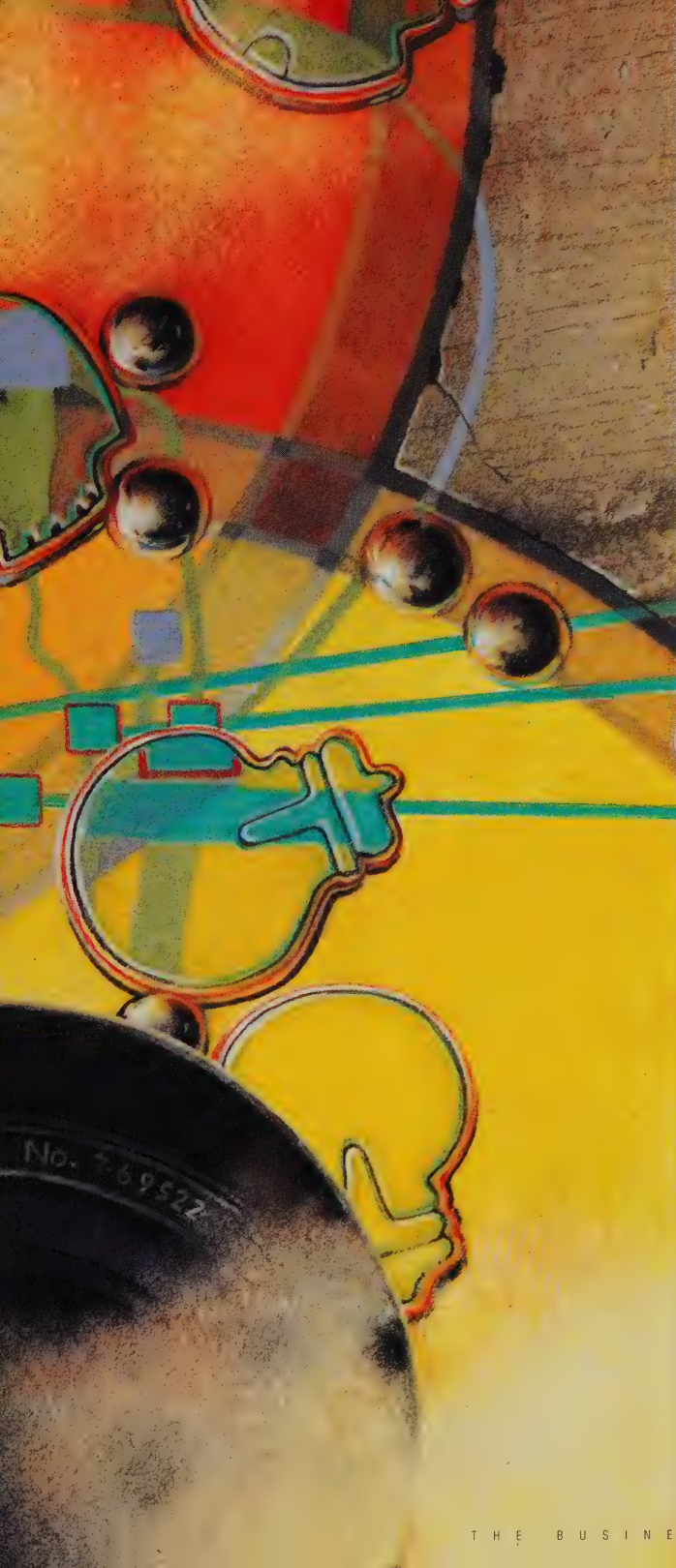
- investing in people, and providing the education, training and support creators and entrepreneurs need
- improving access to financing
- gathering and using better market information
- developing strategies to increase domestic market share
- expanding sales to export markets, particularly by developing niche markets that can be served by Canadian cultural products
- solidifying Ontario's status as a cultural and production centre.

2. Develop an industry/government framework that will enable Ontario's cultural industries to take the lead role in developing new multimedia products and in using new systems to distribute traditional cultural products.

Becoming more competitive in the marketplace is the first step. The next is to develop the skills, policies and structures that will ensure Ontario's cultural industries lead and prosper in the cultural marketplace of the 21st century. This will mean forging new partnerships among the different cultural sectors, with other sectors, including telecommunications and computing, and with government. To position Ontario's cultural industries for the future, ACCISS recommends:

- strengthening links both within the cultural industries and between related sectors
- developing coordinated industrial policy to reflect and support industry convergence
- maximizing the effectiveness of current government support to the cultural industries.





3. Create a stable, equitable operating environment for Canadian cultural industries in Ontario.

To prosper and grow, Ontario's cultural industries need a stable and fair regulatory environment — one that recognizes how new technologies are reshaping our cultural products and the way they are distributed. To develop this environment, ACCISS recommends:

- enacting copyright reform
- implementing fair tax measures
- implementing equitable trade rules
- addressing foreign investment policies
- establishing government procurement policies
- improving Canadian content mechanisms
- stabilizing and strengthening relationships with government.



CONCLUSION

Although the cultural industries make a significant contribution to Ontario's economy, they are still a fairly young and underdeveloped sector. They do not yet have the formal structures and supports that have helped other industries develop. *The Business of Culture: A Strategy for Ontario's Cultural Industries* attempts to describe the type of structures and supports the industry needs in order to grow. Any investment in initiatives that bring the sectors together and help them deal with common issues will strengthen the industry, and will ensure it continues to contribute to Ontario's economic health and well-being. With ACCISS, this process has already begun. The sectors are talking to one another and working together.

Ontario's cultural industries have the potential to create significant wealth and jobs now and in the future. Based on the performance targets developed by ACCISS, the cultural industries — if they act on the recommendations in the report — can realistically expect to create over 6,000 jobs directly within the industry, as well as another 14,000 jobs in the Ontario economy over the next five to ten years. What is more, the jobs the cultural industries will continue to create are highly skilled and highly paid — the type of employment Ontario needs for the future. The total estimated economic impact of this growth would be \$2.4 billion.

All this is possible, if the industry and government act now — together — to implement this cross-sectoral strategy.

Ontario has the people, the skills, the knowledge, the expertise and the basic infrastructure needed to build and sustain world-class cultural industries. It needs only the commitment to invest in, support and develop the resources already here. This is an investment that will be returned to us in jobs, economic benefits, international recognition and the satisfaction of having our stories told.

The following is a summary of the Goals, Objectives and Recommendations.

SUMMARY OF ACCISS GOALS, OBJECTIVES AND RECOMMENDATIONS

GOALS	OBJECTIVES	RECOMMENDATIONS
1. Increase Canadian-owned, Ontario-based producers' share of the international and domestic markets for entertainment and information products	<ul style="list-style-type: none"> Invest in people 	<p>Establish a formal labour relations framework for self-employed cultural workers.</p> <p>Establish a comprehensive training strategy for cultural workers.</p>
	<ul style="list-style-type: none"> Improve access to finance 	<p>Develop training initiatives to improve business, marketing and entrepreneurial skills in the industry.</p> <p>Urge governments to ensure that cultural industries have access to all incentive programs designed to support small business and industrial development.</p> <p>Determine the feasibility of establishing an Expert Investment Corporation for the cultural industries under the Ontario Lead Investment Fund.</p> <p>Develop sector-specific programs to encourage private investment in the province's cultural industries.</p> <p>Urge the federal Minister of Finance to create a cultural industries refundable investment tax credit.</p>
	<ul style="list-style-type: none"> Gather better market information and consumer intelligence 	<p>Collect useful, timely and accurate market performance statistics on the cultural industries.</p>

SUMMARY OF ACCISS GOALS, OBJECTIVES AND RECOMMENDATIONS

GOALS	OBJECTIVES	RECOMMENDATIONS
1. <i>(continued)</i> Increase Canadian-owned, Ontario-based producers' share of the international and domestic markets for entertainment and information products	<ul style="list-style-type: none"> Develop a competitive edge in the domestic market 	<p>Spearhead a comprehensive domestic marketing strategy for cultural products.</p> <p>Exploit marketing opportunities offered by new technologies through interactive marketing, teleordering and other means.</p>
	<ul style="list-style-type: none"> Expand sales to export markets 	<p>Develop and implement initiatives designed to increase export sales of Canadian cultural products.</p>
	<ul style="list-style-type: none"> Solidify Ontario's status as a cultural and production centre 	<p>Develop a joint marketing strategy in cooperation with the tourism industry to position Ontario as a world-renowned cultural tourism destination.</p> <p>Develop strategies to build on the strengths of Ontario's live theatre sector.</p> <p>Develop and implement initiatives to support and expand Toronto's current infrastructure in order to strengthen its position as a premier North American production centre.</p>

SUMMARY OF ACCISS GOALS, OBJECTIVES AND RECOMMENDATIONS

GOALS	OBJECTIVES	RECOMMENDATIONS
2. Develop an industry/government framework that will enable Ontario's cultural industries to take a lead role in developing new multimedia products and in using new systems to distribute traditional cultural products	<ul style="list-style-type: none"> Strengthen links within cultural industries and between related sectors 	<p>Establish formal relationships with councils in the related sectors of telecommunications, tourism and computing.</p> <p>Create a Centre for Cultural Industries and Technology to encourage strategic alliances and position Ontario's cultural industries as world leaders in multimedia content for the electronic highway.</p>
	<ul style="list-style-type: none"> Develop coordinated industrial policy 	<p>Develop integrated policies appropriate to meeting the challenges of the new environment.</p>
	<ul style="list-style-type: none"> Maximize the effectiveness of current support programs 	<p>Create a single arm's-length agency to deliver core cultural industries programs including those provided by the Ontario Film Development Corporation, the Ontario Publishing Centre, the Sound Recording Investment Program and the Theatre Development Fund.</p>

SUMMARY OF ACCISS GOALS, OBJECTIVES AND RECOMMENDATIONS

GOALS	OBJECTIVES	RECOMMENDATIONS
3. Create a stable, equitable operating environment for Canadian cultural industries in Ontario.	<ul style="list-style-type: none"> Enact copyright reform 	<p>Enact second phase of Copyright Act reform, particularly neighbouring rights, rights for exclusive distributors, stronger remedies, strict limitations on educational exemptions and ongoing review mechanisms.</p> <p>Ensure all levels of government, schools and libraries respect authorized Canadian rights holders when purchasing cultural products.</p>
	<ul style="list-style-type: none"> Implement fair tax 	<p>Remove any taxes on reading materials.</p>
	<ul style="list-style-type: none"> Implement equitable trade rules 	<p>Work with the federal government to inhibit split-run editions of foreign periodicals.</p> <p>Require that films made by non-studio independent producers be distributed by Canadian distributors who support the production and distribution of Canadian films.</p> <p>Ensure the resolution of provincial trade barriers which inhibit Ontario companies' ability to sell and distribute films and books freely in other provinces.</p>
	<ul style="list-style-type: none"> Address government foreign investment policies 	<p>Develop provincial policy regarding foreign investment in the cultural industries and apply that policy to the review of Investment Canada referrals in all sectors.</p>

SUMMARY OF ACCISS GOALS, OBJECTIVES AND RECOMMENDATIONS

GOALS	OBJECTIVES	RECOMMENDATIONS
<p>3. <i>(continued)</i></p> <p>Create a stable, equitable operating environment for Canadian cultural industries in Ontario.</p>	<ul style="list-style-type: none"> Establish government procurement policies 	<p>Amend educational procurement policies and develop a coherent strategy, to be implemented over the next five years, which will encourage Canadian-owned, Ontario-based publishers to produce high quality learning materials.</p> <p>Develop and implement a comprehensive plan for introducing new media learning materials into Ontario schools, and designate funds to match industry investment in this area.</p> <p>Encourage all Canadian-directed advertising undertaken by the provincial or municipal governments, departments, and agencies use Canadian producers.</p>
	<ul style="list-style-type: none"> Improve Canadian content mechanisms 	<p>Bring forward the Ontario government's position on matters regulated by the CRTC with respect to underrepresented categories and to Canadian-content on newly licensed specialty services and new delivery systems.</p>
	<ul style="list-style-type: none"> Stabilize and strengthen relationships with government 	<p>Negotiate a bilateral Cultural Agreement with the federal government to coordinate and consolidate industrial support.</p>
Conclusion	<ul style="list-style-type: none"> Monitor the cultural industries strategy 	<p>Establish an Ontario Cultural Industries Advisory Council to monitor the implementation of the strategy proposed in this report.</p>

